

AUDITING PROCEDURES REPORT

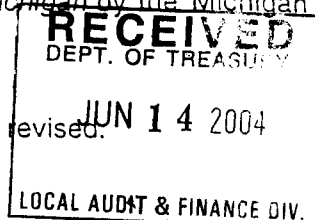
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Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Township of Gilead</u>		County <u>Branch</u>
Audit Date <u>March 31, 2004</u>	Opinion Date <u>June 3, 2004</u>	Date Accountant Report Submitted to State: <u>June 9, 2004</u>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>


Certified Public Accountant (Firm Name) <u>David F. Lacey, CPA, PC</u>			
Street Address <u>7076 N. M. Lb</u>	City <u>Sturgis</u>	State <u>MI</u>	ZIP <u>49091</u>
Accountant Signature <u>[Signature]</u>			

TOWNSHIP OF GILEAD
(Branch)
FINANCIAL STATEMENTS

MARCH 31, 2004

RECEIVED
DEPT. OF TREASURY

✓ JUN 14 2004


LOCAL AUDIT & FINANCE DIV

TOWNSHIP OF GILEAD

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Gilead, Branch County
Bronson, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Gilead, Michigan, as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Gilead, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.

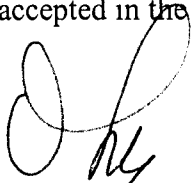
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note F to the financial statements, management has not reported its financial statement under GASB 34 reporting format. As a result, no management discussion and analysis report, government wide statement of net assets, or government wide statement of activities is included. Management has not recorded certain general assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United State of America, the financial position of the

governmental activities of the Township of Gilead, Michigan, as of March 31, 2004, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Gilead, Michigan as of March 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'D. Locey', is written over the printed name.

David F. Locey, CPA, PC
Sturgis, Michigan
June 3, 2004

Township of Gilead-Branch County
Combined Balance Sheet
All Fund Types
March 31, 2004

	Governmental Fund Types	Fiduciary Fund Types	Total (Memorandum Only)
	General	Trust and Agency	Reporting Entity
<u>ASSETS</u>			
Cash	\$68,332	\$2,000	\$70,332
Receivables			0
Taxes and State	12,802	0	12,802
Fixed Assets, at Cost, No Allowance			0
For Depreciation		0	0
Prepaid Expenses	2,122	0	2,122
Interest Receivable	169	0	169
Total Assets	<u>\$83,425</u>	<u>\$2,000</u>	<u>\$85,425</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities			
Accounts Payable	<u>\$3,074</u>	<u>\$0</u>	<u>\$3,074</u>
Total Liabilities	<u>3,074</u>	<u>0</u>	<u>3,074</u>
Fund Equity			
Reserved for			
Perpetual Care	0	2,000	2,000
Unreserved--Undesignated	<u>80,351</u>	<u>0</u>	<u>80,351</u>
Total Fund Equity	<u>80,351</u>	<u>2,000</u>	<u>82,351</u>
Total Liabilities and Fund Equity	<u>\$83,425</u>	<u>\$2,000</u>	<u>\$85,425</u>

The Notes to Financial Statements are an integral part of this statement.

Township of Gilead-Branch County
Combined Statement of Revenues, Expenditures And Changes In Fund Balances - All
Governmental Fund Types
For the Year Ended March 31, 2004

	Governmental Funds	Total (Memorandum Only)
	General	Reporting Entity
Revenues		
Taxes	\$20,602	\$20,602
Licenses and Permits	420	420
State Grants	52,249	52,249
Charges for Services	300	300
Interest	1,076	1,076
Other Revenue	1,060	1,060
Total Revenues	<u>75,707</u>	<u>75,707</u>
Expenditures		
Current		
Legislative-Township Board	1,320	1,320
General Government	34,389	34,389
Public Safety	30,994	30,994
Public Works	7,906	7,906
Total Expenditures	<u>74,609</u>	<u>74,609</u>
Excess of Revenues Over (Under) Expenditures	<u>1,098</u>	<u>1,098</u>
Other Financing Sources (Uses)		
Operating Transfers In	119	119
Operating Transfers (Out)	0	0
Total Other Financing Sources (Uses)	<u>119</u>	<u>119</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,217	1,217
Fund Balance - April 1, 2003	<u>79,134</u>	<u>79,134</u>
Fund Balance - March 31, 2004	<u><u>\$80,351</u></u>	<u><u>\$80,351</u></u>

Township of Gilead-Branch County
Statement of Revenues, Expenditures And Changes In Fund Balances - Budget and Actual
General Fund
For the Year Ended March 31, 2004

	GENERAL FUND		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$19,300	\$20,602	\$1,302
Licenses and Permits	700	420	(280)
State Grants	55,000	52,249	(2,751)
Charge for Services	800	300	(500)
Interest	500	1,076	576
Other Revenue	500	1,060	560
Total Revenue	76,800	75,707	(1,093)
Expenditures			
Legislative	1,325	1,320	5
General Government	37,705	34,389	3,316
Public Safety	31,100	30,994	106
Public Works	10,700	7,906	2,794
Total Expenditures	80,830	74,609	6,221
Excess of Revenues Over (Under) Expenditures	(4,030)	1,098	5,128
Other Financing Sources (Uses)			
Operating Transfers In	110	119	9
Operating Transfers (Out)	0	0	0
Total Other Financing Sources (Uses)	110	119	9
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(3,920)	1,217	5,137
Fund Balance - April 1, 2003	79,134	79,134	0
Fund Balance - March 31, 2004	\$75,214	\$80,351	\$5,137

The Notes to Financial Statements are an integral part of this statement.

Township of Gilead-Branch County
Statement of Revenues, Expenditures and Changes In Fund Balances - Nonexpendable Trust Fund
For the Year Ended March 31, 2004

	FIDUCIARY FUND TYPE
	Non- Expendable Cemetery Trust
Nonoperating Revenues	
Interest Earned on Investments	\$119
Total Nonoperating Revenues	119
Nonoperating Income (Loss)	119
Nonoperating Revenues (Expenses)	
Transfers In (Out)	(119)
Total Nonoperating Revenues (Expenses)	(119)
Net Income	0
Fund Balance - April 1, 2003	2,000
Fund Balance - March 31, 2004	\$2,000

Township of Gilead-Branch County
Statement of Cash Flows
Nonexpendable Trust Fund
For the Year Ended March 31, 2004

	FIDUCIARY FUND TYPE
	Non- Expendable Cemetery Trust
Cash Flows From Noncapital Financing Activities	
Transfers In (Out)	(119)
Net Cash Provided by Noncapital Financing Activities	(119)
Cash Flows From Investing Activities	
Interest on Investments	119
Net Cash Provided by Investing Activities	119
Net Increase (Decrease) in Cash and Cash Equivalents	0
Cash and Cash Equivalents at Beginning of Year	2,000
Cash and Cash Equivalents at End of Year	\$2,000

Township of Gilead-Branch County
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE A - DESCRIPTION OF TOWNSHIP OPERATIONS AND FUND TYPES

Township of Gilead is located in Branch County and provides services in many areas including public safety, highways and street, and general administrative services. The Township is governed by a five member board elected by the citizens of Township of Gilead. The board consists of the supervisor, clerk, treasurer and two trustees who reside in the community.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Township (the primary government) and its component units (none). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GOVERNMENTAL FUNDS

General Fund

The general fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, State revenue sharing distributions, and permits.

FIDUCIARY FUNDS

Trust and Agency Funds

Trust and agency funds are used to account for the assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental Funds

All governmental funds utilize the modified accrual basis of accounting which provides that revenues be recorded when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred.

Fiduciary Funds

The fiduciary funds are maintained on a cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

Nonexpendable trust funds use the full accrual basis of accounting. Revenue and other sources are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the related liability is incurred.

BUDGETS AND BUDGETARY ACCOUNTING

Reporting Entity

The annual budget is prepared by the Township Board and adopted by the Township Board at the annual public hearing. All subsequent amendments to the budget are approved by the Township Board. The General Fund is under formal budgetary control. The budget has been prepared in accordance with generally accepted accounting principles. The budget has been adopted on an activity basis.

Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted.

Property Taxes

The Township's 2003 ad valorem tax is levied and collectible on December 1, 2003, based on the assessments made the previous December 31. It is the Township's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing of the Township operations. Property taxes are recognized when levied since the County purchases the delinquent taxes each year. The SEV of the Township was \$17,704,251 for 2003, millage rate is .8508 per thousand.

Total Column on Combined Statements - Overview

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation because interfund elimination's have not been made in the aggregation of this data.

NOTE C - MATERIAL VIOLATION OF LEGAL AND CONTRACTUAL PROVISIONS

Budget Violations

Public Act 621 of 1978, Section 18 (1), as amended, requires the adoption of a balanced budget for the General Fund, as well as budget amendments as needed to prevent actual expenditures from exceeding those amounts appropriated.

No expenditures exceeded appropriate amounts.

NOTE D - BALANCE SHEET CASH AND INVESTMENTS

Deposits are carried at cost. Deposits of the Township are at one bank in the name of Township of Gilead. Michigan compiled Laws (MCL), Section 129.91, authorizes a local unit to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds securities, and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for the Township's cash deposits are as follows:

Deposits	Reporting Unit	
	Carrying Amount	Bank Balance
Insured (FDIC)	\$68,332	\$68,332
Uninsured	0	0
Total Deposits	<u>\$68,332</u>	<u>\$68,332</u>

NOTE E - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township participates in the Michigan Township Participating Plan (MTPP). The plan covers general liability, non-owned/hired automobile liability, errors and omissions, property damage, and inland marine. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Township of Gilead, Branch County
Notes to Financial Statements - Continued
For the Year Ended March 31, 2004

The MTPP was created pursuant to the authority of a: Article 7, Section 28, Michigan Constitution of 1963; b) Section 1, Chapter 124, Michigan Compiled Laws (PA No. 35, 1951, as amended by PA No. 138, 1982).

The Michigan Township Participating Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Par-Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event a reinsurance becomes uncollectible by purchasing reinsurance treaties for uncollectible reinsurance.

The Par-Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverage's 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The plan does not operate a risk pool, but provides conventional insurance protection and reinsures these coverage's 100%. As such, when contributions are received from members, they are immediately turned over to the plan administrator for remittance to reinsurers less administrative fees on a timely basis. During the years ended March 31, 2004 and 2003, the costs for risk control and claims administration were included in the rate paid to the administrator.

The plan has reinsured 100% of its loss reserves and consequently has not reflected a liability for loss reserves on its balance sheet.

The Plan has continued to use the services of Integrated Runoff Insurance Services Corporation (IRISC) to assist in formalizing loss reserve standards and in settling loss and loss adjustment expense reserves. IRISC has maintained its philosophy that the potential for governmental immunity should be ignored when setting case reserves, even though trends continue to indicate that average cases close for substantially less than the reserve estimates.

NOTE F - GASB 34 REPORTING FINANCIAL

Township has elected not to convert to GASB 34 format, therefore assets owned by the Township such as building and equipment are not stated at current values as of 03/31/04, also no current charge is being recorded for current year depreciation. Accordingly the Management and Discussion Analysis Letter, Statement of Net Assets, and Statement of Activities are not included per GASB 34 format.

Township of Gilead-Branch County
Statement of Revenues And Other Sources Budget And Actual - General Fund
For the Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property Taxes			
Current Property Taxes	\$14,900	\$15,039	\$139
Property Tax Administration Fee	4,400	5,563	1,163
Total Property Taxes	19,300	20,602	1,302
Licenses and Permits			
Zoning Permits	700	420	(280)
Total Licenses and Permits	700	420	(280)
State Aid	55,000	52,249	(2,751)
Total State Aid	55,000	52,249	(2,751)
Charge for Services			
Lot Sales	800	300	(500)
Total Charge for Services	800	300	(500)
Interest	500	1,076	576
Total Interest	500	1,076	576
Other Revenue			
Miscellaneous - Other Revenue	500	1,060	560
Total Other Revenue	500	1,060	560
Total Revenue	76,800	75,707	(1,093)
Other Financing Sources			
Operating Transfers In	110	119	9
Total Other Financing Sources	110	119	9
Total Revenue and Other Sources	<u>\$76,910</u>	<u>\$75,826</u>	<u>(\$1,084)</u>

Township of Gilead-Branch County
Statement of Expenditures Budget And Actual - General Fund
For the Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Legislative			
Township Board	\$1,325	\$1,320	\$5
Total Legislative	1,325	1,320	5
General Government			
Supervisor	4,500	4,500	0
Assessor	6,005	5,994	11
Township Hall	1,500	735	765
Clerk	5,100	5,000	100
Board of Review	300	728	(428)
Treasurer	6,500	6,500	0
Cemetery	4,000	3,075	925
Zoning Board of Appeals	3,000	2,550	450
Election	600	21	579
Unallocated Expenses	6,200	5,286	914
Total General Government	37,705	34,389	3,316
Public Safety			
Fire Protection	31,100	30,994	106
Total Public Safety	31,100	30,994	106
Public Works			
Roads	8,700	5,554	3,146
Drains	2,000	2,352	(352)
Total Public Works	10,700	7,906	2,794
Total Expenditures	\$80,830	\$74,609	\$6,221

Township of Gilead-Branch County
Combining Balance Sheet - Trust and Agency Funds
March 31, 2004

	AGENCY FUND	TRUST FUND	
	Tax Collection	Non Expendable Cemetery	Total
<u>ASSETS</u>			
Cash and Interest Bearing Deposits	\$0	\$2,000	\$2,000
Total Assets	<u>\$0</u>	<u>\$2,000</u>	<u>\$2,000</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities	\$0	\$0	\$0
Total Liabilities	0	0	0
Fund Equity			
Reserve for Perpetual Care	0	2,000	2,000
Total Fund Equity	0	2,000	2,000
Total Liabilities and Fund Equity	<u>\$0</u>	<u>\$2,000</u>	<u>\$2,000</u>

The Notes to Financial Statements are an integral part of this statement.

Township of Gilead-Branch County
 Combined Statement Of Changes In Assets And Liabilities - All Agency Funds
 For the Year Ended March 31, 2004

TAX COLLECTION FUND

	<u>April 1, 2003</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>March 31, 2004</u>
Assets				
Cash	<u>\$17,606</u>	<u>\$435,374</u>	<u>\$452,980</u>	<u>\$0</u>
Total Assets	<u>\$17,606</u>	<u>\$435,374</u>	<u>\$452,980</u>	<u>\$0</u>
Liabilities				
Due General Fund	<u>\$17,606</u>	<u>\$435,734</u>	<u>\$452,980</u>	<u>\$0</u>
Total Liabilities	<u>\$17,606</u>	<u>\$435,734</u>	<u>\$452,980</u>	<u>\$0</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Township Board
Township of Gilead, Branch County
Bronson, Michigan

We have audited the general purpose financial statements of the Township of Gilead, Branch County, as of and for the year ended March 31, 2004, and have issued our report thereon dated June 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township of Gilead's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Gilead's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

relatively low level risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DAVID F. DOCEY, C.P.A., P.C.

A handwritten signature in dark ink, appearing to read 'D. Docey', is written over the printed name.

Sturgis, Michigan
June 3, 2004

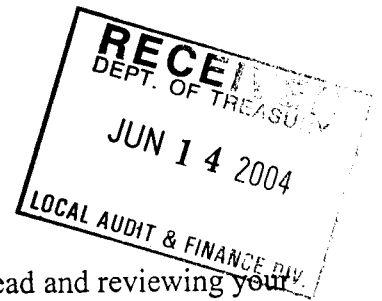
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COMMENTS AND RECOMMENDATIONS

Township Board
Township of Gilead, Branch County
Bronson, MI 49028



We appreciate the opportunity of being of service to the Township of Gilead and reviewing your records for the year ended March 31, 2004.

According to Michigan Law the township is required to maintain a self-balancing, double entry set of records. We will provide you the audited figures as of March 31, 2004 to use in setting up your general ledger. Any assistance needed in performing this, we would be happy to review with your officials.

The overall condition of your records was very good, we thank you for your cooperation and look forward to future engagements.

DAVID F. LOCEY, CPA, PC
June 3, 2004